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CORPORATION FILE

American Broadcasting Companies, Inc. Annual Report 1973

Financial Highlights	1973	1972
Revenues from continuing operations	\$880,505,000	\$819,498,000
Earnings:		
Continuing operations	\$ 45,470,000	\$ 33,818,000
Discontinued operations	1,372,000	1,223,000
Extraordinary gains	412,000	596,000
Net earnings	\$ 47,254,000	\$ 35,637,000
Earnings per share:		
Continuing operations	\$ 2.69	\$ 1.99
Discontinued operations	.08	.07
Extraordinary gains	.02	.04
Net earnings	\$ 2.79	\$ 2.10
Dividends per share	\$.68	\$.60
Average common and common equivalent shares	16,938,000	16,967,000
Working capital	\$238,757,000	\$206,534,000
Current ratio	2.6	2.5
Long-term debt	\$105,803,000	\$106,669,000
Stockholders' equity per outstanding share	\$ 17.44	\$ 15.61
Stockholders of record at end of year	16,455	14,795

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Leonard H. Goldenson (seated) and Elton H. Rule.

Letter to Shareholders: The year 1973 was again an excellent one for our Company with revenues and earnings reaching record levels for each quarter and for the year.

Earnings from continuing and discontinued operations were \$46,842,000 or \$2.77 per share compared with \$35,041,000 or \$2.06 per share for 1972, an increase of 34%.

Earnings from continuing operations were \$45,470,000 or \$2.69 per share compared with \$33,818,000 or \$1.99 per share for 1972, an increase of 35%. Revenues were \$880,505,000 compared with \$819,498,000 for the prior year, an increase of 7%.

Earnings from discontinued operations were \$1,372,000 or 8¢ per share compared with \$1,223,000 or 7¢ per share for 1972. Revenues were \$34,381,000 for 1973 and \$49,951,000 for 1972. Discontinued operations represent earnings and revenues of the ABC television program syndication subsidiary through March 29, 1973, and the Northern Theatre Group through September 28, 1973. The syndication subsidiary was sold in March, 1973, and later in the year a contract was entered into to sell the Northern Theatre Group.

Net earnings for the year were \$47,254,000 or \$2.79 per share compared with \$35,637,000 or \$2.10 per share for 1972, reflecting extraordinary gains of 2¢ and 4¢ per share, respectively. The extraordinary gain of 2¢ in 1973 represented principally the net gain of \$2,691,000 on the sale of the syndication subsidiary offset by the net loss of \$2,175,000 on the disposal of the Northern theatres.

In broadcasting, the television network reported record revenues and earnings and was responsible for the major portion of the earnings increase in the broadcast division. This was the second consecutive year of profitable operations after many years of losses.

The five owned television stations also reported record revenues and earnings for the year. Our stations, which are located in five of the seven largest markets in the country, continued to maintain a strong competitive position.

Radio continues to demonstrate its vitality as a significant advertising medium. Our radio network with its unique four network service concept continued to lead the radio network industry in revenues and operated profitably for the second consecutive year although at levels not equal to last year's.

The seven owned AM radio stations maintained their position as the most listened to group of AM radio stations in the country for the seventh consecutive year. Revenues and earnings were slightly lower than in 1972.

The owned FM radio stations exceeded the industry growth rate, recording significant revenue gains and audience growth. Three of the seven stations were profitable for the first time. We expect this trend of improved results to continue in this expanding field of FM radio.

ABC News provided television and radio audiences comprehensive coverage of news events throughout the world during what is generally considered to have been one of the most eventful news years in half a century. The television network's evening news program with Howard K. Smith and Harry Reasoner continued to attract larger audiences, reflecting the increasing public acceptance for ABC News, its commentators and correspondents. In addition, news programs on the radio network's four news services as well as local news programs on the owned radio and television stations continued to meet with wide public acceptance.

The new ABC Leisure Group was formed during the year which includes our theatre, record and farm publishing operations.

Theatre earnings were slightly ahead of 1972's level. Revenues were lower principally reflecting dispositions which resulted in fewer operating theatres in 1973 than in the prior year. A contract has been entered into, and is scheduled to close on April 30, 1974, for the sale of the Northern Theatre Group of 123 theatres for \$25,000,000 in cash. We are planning to further improve the Southern Theatre Group which contributed about 80% of theatre earnings.

The record production division enjoyed a most successful year. Revenues and earnings were substantially ahead of 1972's results. We intend to continue to expand this business both in this country and abroad. We recently announced the establishment of Anchor Records to develop talent in England and in Europe in order to participate more effectively in the expanding foreign market.

The record and tape sales distribution division, which services retail outlets, reported increased revenues but operated at a loss. We anticipate that this division will operate profitably in 1974. We recently announced plans to expand in the retail record store field which will contribute to the growth of this division.

The farm publishing division again reported increased revenues and earnings.

Theatrical motion picture production was drastically curtailed as previously reported. This division reported a small profit compared with a substantial loss in 1972.

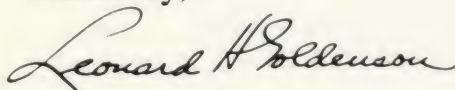
The two Florida scenic and wildlife attractions, Silver Springs and Weeki Wachee Spring, reported increased revenues with earnings slightly lower than last year's record level. Early in 1973, we initiated a long-term program to improve and expand these attractions. In March, we acquired more than 400 acres near Washington, D.C. to develop an entertainment/educational park to be called The Wildlife Preserve. This park, which will feature wild animals and other attractions, is expected to open in mid-1974.

Our financial position was the strongest in the Company's history. Stockholders' equity rose from last year's record \$264 million to \$289 million. Our working capital was \$239 million, an increase of \$32 million over the prior year. The quarterly dividend was increased in the first quarter from 15¢ to 16¢ per share (as adjusted for the two-for-one stock split in February) and from 16¢ to 20¢ per share in the fourth quarter.

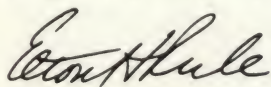
The current energy crisis has created a challenge to all of us which we feel can and will be met. As responsible broadcasters, we have utilized our facilities not only to report on this problem but also to inform the public as to how it can help to conserve energy. In addition, we have undertaken conservation measures where appropriate throughout our Company.

As we look ahead this year, we feel our various businesses are strongly positioned in their respective fields and, despite the uncertain economic outlook, are well prepared to meet changing conditions. Our present assessment, barring a serious deterioration in the economy, is for continued growth in 1974.

Sincerely,



Chairman of the Board



President

March 11, 1974

ABC News: With the end of United States participation in the Vietnam war, the outbreak of another in the Mid-East, political scandals and a serious energy shortage, 1973 was probably one of the most dramatic and dynamic news years in half a century.

"ABC Evening News with Howard K. Smith and Harry Reasoner," the television network's early evening news program, continued to gain audience acceptance in 1973. Between 1972 and 1973, the program added more than 700,000 U.S. households to its average audience. There has been a gain of 41% in audience since 1971, the first year of the Howard K. Smith-Harry Reasoner association.

In September of 1973, "ABC News Closeup," a new prime-time series of investigative reports, was initiated to cover more fully essential problems of our society which cannot be given adequate time in nightly television newscast formats. The series met with instant critical and viewer acclaim for its uncompromising documentaries such as "West Virginia—Life, Liberty and the Pursuit of Coal," "Fire!," "Agribusiness" and "The Right to Die."

In November, ABC News undertook still another journalistic effort with a series of "mini-documentaries" on the contributions of ethnic minority groups to the nation's society and culture under the title "Americans All," telecast immediately following selected motion pictures on the "ABC Sunday Night Movie" and "ABC Monday Night Movie."

During the year, ABC News brought to its television and radio audiences the inauguration of President Nixon and special reports on the President's announcement of the end of American military participation in Vietnam and the return of U.S. prisoners of war. ABC News also provided special coverage of the ceremonies marking the death of former President Lyndon B. Johnson and presented three special programs on the Johnson years entitled "Homage to a President."

A. The "ABC Evening News with Howard K. Smith and Harry Reasoner" continued to show substantial audience gains in 1973.

B. As ABC News covered the war in the Middle East, Americans viewed for the first time strategic developments the same day they took place.



Coverage of the Senate hearings of the Watergate developments began in May and by the end of 1973 ABC News had devoted over 116 hours of live coverage in addition to special programs on the subject. It also covered the three manned Skylab missions, mankind's longest and most ambitious ventures into space.

In August, Leonard H. Goldenson, Chairman of the Board, and Elmer W. Lower, President of ABC News, completed a three-week working visit to the People's Republic of China, during which they concluded an agreement with that nation's Central Broadcasting Bureau for an exchange of television newsfilm, documentary programs, sports programs and personnel. The initial results of that agreement included the ABC News special, "The People of People's China," and numerous television and radio reports.

Among the documentaries produced by ABC News was a six-part series on science and future technology called "What About Tomorrow?" done in cooperation with the Massachusetts Institute of Technology, and a study of the First Amendment, "The First and Essential Freedom."

The new magazine format Saturday program, "The Reasoner Report," introduced in 1973, has become an important part of the network's total news service and offered great diversity in investigative reports, feature stories and essays.

The ABC News Sunday radio and television program, "Issues and Answers," now in its 14th year, featured world leaders interviewed by ABC News correspondents with special expertise in their fields and continued to make Monday morning front page headlines. While concentrating on major American faiths, ABC's "Directions" programs also included "Religions of the Far East," filmed on location in India, Thailand and Japan. In its third successful year, the award-winning children's series, "Make A Wish," continued to provide an entertaining learning experience for young viewers.



ABC Television

ABC Television Network: The ABC Television Network experienced a record year in revenues and earnings, reflecting great acceptance of its programming by audiences and advertisers.

In prime-time, the network maintained a strong competitive position among younger adults, the key audience group for most advertisers. Among weekly series, "The Rookies," "Kung Fu" and "The Streets of San Francisco" became even more firmly established programs, joining "Marcus Welby, M.D." and "The Odd Couple" as prime attractions for American audiences. In January, 1974, a number of new programs were introduced to the schedule, which included "The Six Million Dollar Man" and "Happy Days." These mid-season program changes improved the network's competitive audience position over the fall period of the 1973-1974 season.

Movies, including those made for television on the Tuesday and Wednesday "Movie of the Week," as well as theatrical releases on "The ABC Sunday Night Movie," continued to perform well. ABC presented another record-breaking movie spectacular, this time "Airport," which reached the largest audience for any movie in television history.

The network broadened its activities in the area of specials, particularly in original and classical drama. Among the more distinguished offerings were the Emmy-Award winning "Long Day's Journey Into Night" starring Sir Laurence Olivier, "The Glass Menagerie" starring Katherine Hepburn and the ABC Theatre productions of "Pueblo" and "F. Scott Fitzgerald and the Last of the Belles." Future dramatic presentations include a six-hour film version of Leon Uris' novel "QB VII" to be shown over two successive nights, and "Wedding Band," the first of Joseph Papp's New York Shakespeare Festival dramas for ABC. Variety specials,

A. "ABC News Closeup" explored power politics in the coal industry when it presented "West Virginia—Life, Liberty and the Pursuit of Coal."

B. The People's Liberation Army was one phase of Chinese life examined on the ABC News special "The People of People's China."

C. "The Streets of San Francisco" starring Karl Malden and Michael Douglas became firmly established as a prime-time attraction for American audiences.

D. "The Rookie of the Year" was one of the popular programs on the highly acclaimed children's series "The ABC After-school Special."



starring such outstanding performers as Julie Andrews, Marlo Thomas and Alan King, were also part of the network's schedule of diversified programming.

Another category of special programming included nature and history programs such as "The Primal Man," "Jane Goodall's Africa," the National Geographic series, the continuation of the successful Cousteau specials and "Texaco Presents the American Heritage," a series of documentaries which underscores the nation's bicentennial celebration and will culminate with that event in 1976.

Continuing to expand its children's programs, the network added "Grammar Rock" to its "Multiplication Rock," which is a series of short, instructional programs set to a contemporary music background and telecast throughout the weekend children's schedule. Another much praised series that was also expanded in 1973 was "The ABC Afterschool Special."

The network's Monday-through-Friday daytime programming maintained its very strong competitive position in audience including the important 18 to 49 women age group. "All My Children," now in its third year, is one of the most successful television daytime series. The expanded schedule of "Afternoon Playbreak," the daytime series of original ninety-minute dramas, further emphasized the diversity of the network's daytime presentations.

"ABC's Wide World of Entertainment," an innovative concept in late-night programming which started in January, 1973, achieved a 42% increase in television homes over 1972. In January, 1974, the program was further strengthened with the scheduling of original suspense dramas on Monday and Tuesday, special events on Wednesday, personalities on Thursday and the successful "In Concert" bi-monthly contemporary music series alternating on Fridays with dramas of the occult and ghost stories.



ABC Sports: ABC Sports maintained its leadership position in sports television. NFL Monday Night Football, in its fourth year and already an American institution, showed continued growth in audience. "ABC's Wide World of Sports" won its seventh Emmy Award in eight years and enjoyed a further increase in Saturday afternoon viewership. A second edition of this series began on Sundays in the first quarter of 1974. NCAA Football, in its eighth consecutive year on ABC, drew special attention during the Thanksgiving holiday when nine of the nation's top ten collegiate football teams were televised nationally over three days.

During the year, ABC Sports negotiated an extension of its Monday Night NFL Football contract through 1977 and of its NCAA College Football pact through 1975.

A special sports feature during the year was the telecast of the Billie Jean King-Bobby Riggs "Tennis Battle of the Sexes," which generated tremendous public interest and drew an overall audience of almost nineteen million television homes.

In other activities, ABC Sports continued to present a broad spectrum of outstanding sports events. These included such major golf tournaments as the United States Men's and Women's Opens, British Open and PGA Championship as well as the Professional Bowlers Tour, the Indianapolis "500" and "The American Sportsman."

Following up on its superlative coverage of the 1972 Summer Olympics in Munich, ABC Sports acquired exclusive United States television rights for the 1976 Summer Olympics in Montreal, Canada and the 1976 Winter Olympics in Innsbruck, Austria, which assures ABC of having both Olympic Games in the Bicentennial Year of the United States. Both Olympic events already have been completely sold out to sponsors.

A. The network's presentation of "Airport" reached the largest audience for any movie in television history.

B. Tennessee Williams' classic American drama, "The Glass Menagerie" starred Katherine Hepburn in her first dramatic role for television.

C. The Sugar Bowl telecast on New Year's Eve climaxed an exciting collegiate season as it presented the one-point victory of Notre Dame over Alabama.

D&E. "ABC's Wide World of Sports" brought to an ever-increasing audience the action and excitement of a variety of sports events, including car racing and skiing.

F. The unique sports event of the year was the Billie Jean King-Bobby Riggs "Tennis Battle of the Sexes."



ABC Owned Television Stations: The five ABC Owned Television Stations achieved record revenues and earnings in 1973. These stations continued to maintain a strong competitive position in their markets which comprise five of the seven largest markets in the United States. Each station was first in its market in reaching the important young adult 18 to 49 audience during the entire broadcast day, according to the November Nielsen report, the latest 1973 measurement period for all television stations.

Audience acceptance of their local news has contributed greatly to their excellent performance. WLS-TV, Chicago, WXYZ-TV, Detroit and KGO-TV, San Francisco, received awards from the Associated Press for excellence in news. KGO-TV also received an Emmy for best local news broadcast. An A.P. "Best Documentary" award went to WABC-TV, New York for "The Littlest Junkie," a program dealing with the effects of heroin on the newborn babies of addicts. The Los Angeles Press Club cited KABC-TV for "Best News Show" in 1973.

All the stations have been increasingly involved in the community problems of the areas they serve. The fate of mental patients was investigated in San Francisco by KGO-TV and in Detroit by WXYZ-TV. KGO-TV revealed that some discharged patients disappear from poorly managed half-way homes to commit criminal acts at a later date. As a result of WXYZ-TV's investigation into overcrowded mental institutions, improved half-way homes were established in the Detroit area. The investigation earned WXYZ-TV the regional award of the Radio-Television



News Directors Association. In Chicago, a WLS-TV reporter spent a month with narcotics agents filming undercover investigations and raids. The four-part series exposed serious inadequacies of the judicial system in dealing with the drug problem. Reporters for KABC-TV in Los Angeles investigated business firms that hire and exploit illegal aliens and found that more than 3,000 Palestinian and Yemen Arabs were working in the fields of Central California. WABC-TV was responsible for an investigation by the New York Attorney General's office into industrial polluters of the Saw Mill River. A three-part series probed pollution flowing from the Saw Mill into the Hudson River.

The stations continued to meet their commitment to quality children's programming which included the highly acclaimed "Rainbow Sundae" series on Sunday evenings. Seventeen hour-long programs offered a wide range of features from children's classics to a magazine format about people, places, history, science and the arts.

ABC International: ABC International continued to operate satisfactorily in its capacity as programming consultant and/or sales representative to foreign television stations in thirteen countries, primarily in Latin America and the Far East. These stations have also been helpful in providing news and sports material originating in their countries. Minority interests are held in a number of foreign broadcasting companies; however, over the past several years, the Company has been divesting its interests so that the remaining investments are not substantial.

A. In Detroit, WXYZ-TV's news team represents the strong popular appeal of local news programs at all five ABC Owned Television Stations.

B. Mass transportation facilities in Metropolitan New York was one of the many community problems explored by WABC-TV's award-winning program series "People, Places and Things."

C. The highly acclaimed children's series "Rainbow Sundae" took young viewers of the five ABC Owned Television Stations on an historic tour of an authentic 19th Century New England farm.



ABC Radio

ABC Radio Network: The ABC Radio Network continued to lead the radio network industry in revenues and operated profitably for the second consecutive year although at levels not equal to last year's.

The American Contemporary, American Information, American Entertainment and American FM make up this unique four radio network program service.

More than 1,450 radio stations throughout the nation are now affiliated with one of these four specialized program services, by far the largest number of radio stations affiliated with any national radio organization. In 1973, more than fifty affiliates were added to the four network services, which tailor news and information programming to the specific needs of four demographically-distinct radio audiences.

In addition to the 103 regular news broadcasts a day produced by ABC Radio News and fed to the four network services during 1973, live coverage was provided of Presidential News Conferences, the Vietnam Peace Pact Signing in Paris, Skylab lift-offs, Leonid Brezhnev's address to the American people, the return of POW's from North Vietnam and the Royal Wedding of Princess Anne. "Newswatch," the radio network's overnight news standby service, provided additional coverage of all major late-breaking news.

A number of major awards were received during the year. These included an Overseas Press Club Award for ABC Radio News interviews with prisoners of war in Hanoi, a National Headliner Award for a network special on Vietnam, a Sigma Delta Chi Distinguished Service Award to Frank Reynolds for his commentaries on ABC Radio, a Writers Guild of America Award to Harry Reasoner for his radio commentaries and a New York State Broadcasters Award for "Why Did Patti Have to Die?," a documentary on drug abuse.



ABC Owned AM Radio Stations: For the seventh successive year, the seven ABC Owned AM Radio Stations maintained their distinction as the most listened to group of radio stations in the nation, although revenues and earnings for the year were slightly lower than in 1972.

The stations' high audience levels reflect their ability to fulfill a public need for service, information and entertainment. They have received many commendations for their local programs and for their constructive involvement in community affairs.

WABC, New York received the Associated Press Award for the best regularly scheduled local newscast for the fifth consecutive year. KQV, Pittsburgh received six awards, including the first place award from the Associated Press for a commentary series on alcohol abuse entitled "One for the Road." The station was also cited by the Associated Press for excellence in editorials. WXYZ, Detroit was awarded the Associated Press Citation for the best local newscast. During a critical shortage of blood plasma in the Chicago area, WLS was able to solicit the donation of more than 2,000 pints of blood from listeners, establishing a new record in that area for blood donations in a single day. KXYZ, Houston received four awards for editorial excellence, including the Texas State Teachers Association "School Bell" Award and the A.P. Broadcasters Best Local Editorial Citation. A ten-part editorial series on first amendment freedoms by KABC, Los Angeles won a "Golden Mike" Award for best radio editorials of 1973 from the Radio and Television News Association of Southern California. KGO, San Francisco supplements morning and afternoon news programs with a two-way telephone format, reaching people who make the news as well as people who are interested in public developments. In 1973, more than 57,000 people had the opportunity to express their views on the station.

- A. Correspondent Jo Burkey reports regularly on the American Entertainment Radio Network from ABC Radio News headquarters in New York.
- B. As part of ABC Radio News on-the-scene national coverage, correspondent Bill Diehl reported from St. Louis' flooded Des Peres River.
- C. The ABC Radio Network was the first to report the story of the appointment of Representative Gerald Ford as nominee for the Vice-Presidency.
- D. A WLS Radio reporter interviews a blood donor during the station's successful drive for blood donations in Chicago.
- E. Lu Hurley gives up-to-the-minute helicopter traffic reports to KGO's radio audience in the San Francisco Bay area.



ABC Owned FM Radio Stations: The seven ABC Owned FM Radio Stations exceeded the industry growth rate, recording significant revenue gains and audience growth. Three stations — WPLJ, New York, WRIF, Detroit and KLOS, Los Angeles — were profitable for the first time. The outlook for the FM station group is very favorable as FM radio continues to expand.

The seven FM stations program similar contemporary “rock’n stereo” formats in all their markets, attracting a youthful population segment and advertisers seeking this acquisitive group of listeners.

These stations served their communities in a variety of ways. As an example, the management of WDAI, Chicago conducted over 400 personal interviews with community leaders to determine the community needs, interests and problems. This information played an important part in the station’s decisions regarding public affairs and public service activities as well as its educational and religious programming. Each ABC Owned AM and FM radio station conducts similar interviews with community leaders in its area.

ABC-FM Spot Sales, the Company’s national FM sales representative firm, has contributed to the sales growth of the owned FM stations as well as to the twenty-seven non-owned FM stations with similar program formats and listening audiences that it serves.



ABC Leisure Group

ABC Theatres: Excluding the discontinued operations of the Northern Theatre Group, theatre earnings were slightly ahead of 1972's level. Revenues were lower principally reflecting dispositions which resulted in fewer operating theatres in 1973 than in the prior year.

1973 was a year of intensified effort to substantially improve the theatre portfolio and to evaluate the future potential of this operation in different sections of the country. Nine theatres were acquired and thirty-seven divested in 1973. At the year end, the Company, through subsidiaries, had interests in 389 theatres, of which 123 were in the Northern Theatre Group and 266 were in the Southern Theatre Group.

As previously reported, a contract has been entered into for the sale of the Company's Northern Theatre Group, located in the middle-western and western states, for a cash consideration of \$25,000,000. The contract is scheduled to close on April 30, 1974. The proceeds of the sale will provide additional funds to assist the Company in its plans for future growth.

The Company will concentrate its efforts to further develop the efficiency and profitability of the Southern Theatre Group, which contributed approximately 80% of theatre earnings.

In the Southern Theatre Group, twelve theatres are currently in various stages of construction and twenty-four additional theatres are in active stages of planning. These thirty-six theatres consist of twelve twin auditoriums, eleven auditoriums to be added to existing theatres to make twins and one additional theatre. Most of these theatres are expected to be in operation by the end of 1974. As has been true in the past, the Company will continue its program of divesting theatres that may become marginal.

A. WPLJ Radio, New York, showed its community responsiveness when it co-sponsored a "Hike and Bike Ride" fund-raising campaign in Central Park for the New York Diabetes Association.

B. Shauna Zurbrugg is one of the many disc jockeys working at the seven Owned FM Radio Stations.

C&D. Among the new theatres added in 1973 were a second auditorium for the Hillsboro in Tampa, Florida, converting it to a twin theatre and the Phipps Penthouse in Atlanta, Georgia.

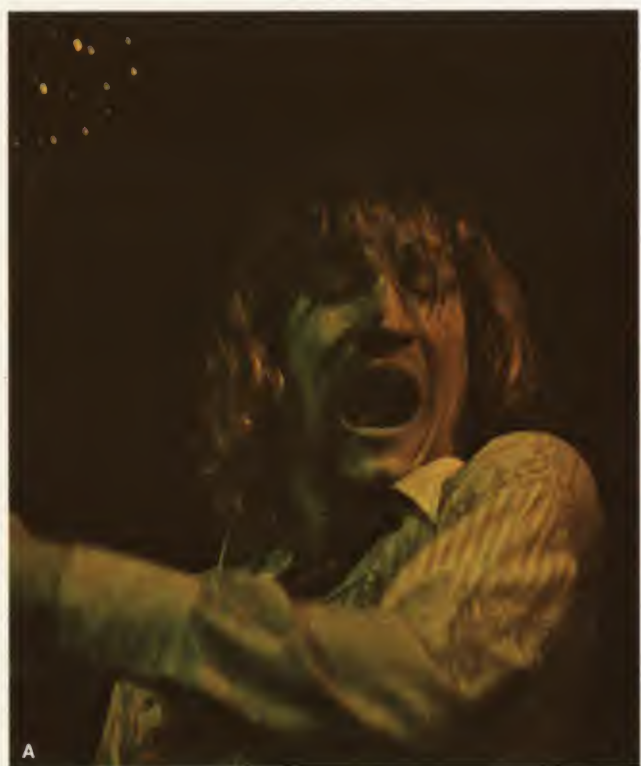


ABC Records: ABC Records, the record production division, enjoyed a most successful year. Revenues and earnings were substantially ahead of 1972's results. This excellent performance reflected increased diversification of types of product, development of new artists and improved direct distribution.

In 1973, the company expanded in various music fields, particularly in country and rhythm and blues. With the acquisition early in the year of Duke/Peacock Records, it diversified further by establishing a strong position in black gospel music.

During the important record selling period in December, ABC Records, under its various labels, had twenty-two singles on the best-selling charts: nine hit records in the popular music field, seven in rhythm and blues or soul and six in country. In the same period, there were thirty-two albums on the best-selling charts: fifteen in popular music, four in jazz, two in country, six in gospel, three in rhythm and blues or soul and two in classical.

Best-selling records included many new artists. Of the twenty-two singles and thirty-two albums on the best-selling charts in December, more than twenty artists were new to the company. Popular artists covering all musical areas include Steely Dan, Sonoma, The Four Tops, the late Jim Croce, Three Dog Night and Joe Walsh in the popular field; Bobby "Blue" Bland, Lamont Dozier and B. B. King in the rhythm and blues field; Billy "Crash" Craddock, Lefty Frizzell, Ferlin Husky, Johnny Carver and Jim Mundy in the country field; Gato Barbieri and Alice Coltrane in the



jazz field; and The Dixie Hummingbirds, The Sensational Nightingales and the Mighty Clouds of Joy in the gospel field.

In the classical field, the company released late in the year the opera "I Puritani," performed by Beverly Sills, which received great acceptance by the record-buying public.

During 1973, additional distribution outlets were opened in Cleveland, Atlanta, Miami and Boston.

Music publishing also developed rapidly. Over thirty songs became best sellers as measured by the top 100 sales charts. These songs included "Time In A Bottle," "Don't Mess Around with Jim," "One Tin Soldier" and "Ain't No Woman."

In a major step to broaden the company's business overseas, Anchor Records, a new record production and music publishing company, was established in January, 1974, under the management of one of England's leading record industry executives, to develop talent in England and in Europe.

ABC Record and Tape Sales Corp. is engaged in the distribution of records to retail outlets. While expanding its sales with strong national and regional accounts, it did not operate profitably. However, this division is expected to operate profitably in 1974. A retail record store division was established early in 1974 with plans to expand beyond the five stores presently in operation.

A. Joe Walsh's vocal/guitar rock album "The Smoker You Drink, The Player You Get," sold well over 500,000 copies.

B. Lamont Dozier, talented producer, songwriter and artist of numerous hits, joined ABC Records in 1973 as a vocal artist.

C. The exciting jazz sounds of tenor saxophonist Gato Barbieri can be heard on Impulse, ABC's jazz label.

D. Billy "Crash" Craddock is one of ABC Records' many popular country music artists.

E. The Dixie Hummingbirds brought their unique gospel music style to ABC Records via the acquisition of Duke/Peacock Records.



Other Activities: Theatrical motion picture production was drastically curtailed as previously reported. This division reported a small profit as compared with a substantial loss in 1972.

A photograph of a corn festival. People are walking through a corn maze. Signs for 'AC O-JA CORN', 'HULTING HYBRIDS', 'BIG M SEED MCCURDY', and 'Plant Bo-JAC X22A' are visible. A sign also reads 'KALINER ENGINE OIL' and 'NITROGEN CAUTIONS'.

ABC Scenic and Wildlife Attractions: The two Florida attraction centers, Silver Springs and Weeki Wachee Spring, reported increased revenues, with earnings slightly lower than 1972's record level.

The first phase of a long-term improvement program began in 1973 to improve and expand these attractions. Positive measures also are being taken to minimize the problems created by the current fuel shortage.

Early in 1973, more than 400 acres were acquired near Washington, D.C. to develop a Wildlife Preserve which is scheduled to open in the summer of 1974. This entertainment/educational park will feature wild animals in habitats resembling their natural ones. In addition to viewing these animals from vehicles, visitors will be able to walk among tame animals and birds as well as to participate in other attractions in the park.

The Silver Springs Bottled Water Company was established with headquarters in Orlando, Florida. Its product, which comes from the waters of Silver Springs, is now being merchandised in the Tampa market and further expansion within the state will be considered as merited.

A. The Farm Progress Show, the largest farm field show in the country, is sponsored annually by ABC's farm publications and was held near Lebanon, Indiana, in 1973.

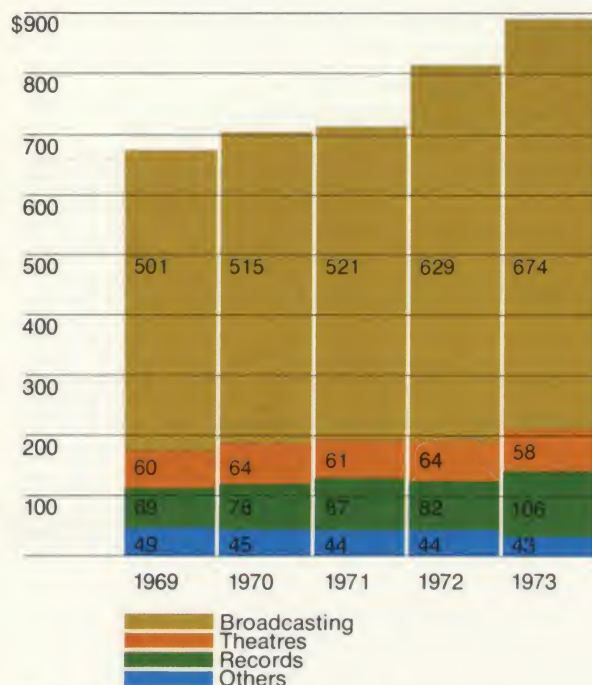
B. Silver Springs, one of the country's most popular scenic attraction centers, offers visitors an exciting view of the underwater world from its glass-bottom boats.

C. The real-life mermaids of Weeki Wachee entertain visitors daily with comedy skits, ballet and elaborate musical reviews in an underwater setting.



Financial Review

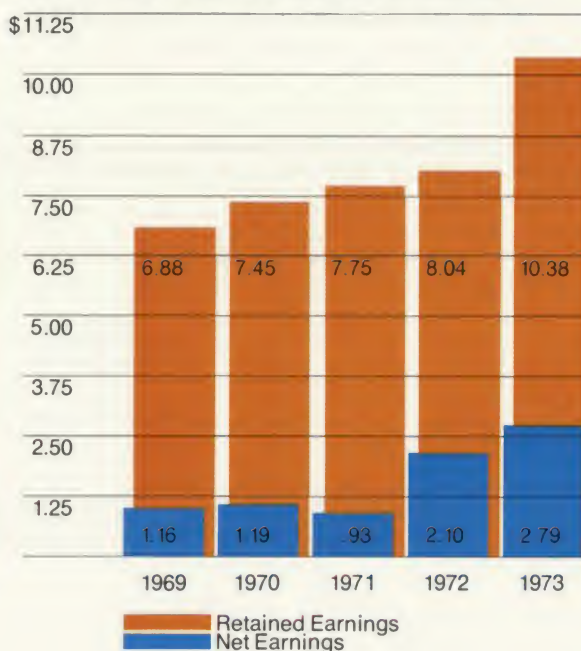
Revenues from Continuing Operations (In millions)



Revenues From Continuing Operations:

Revenues from continuing operations aggregated \$880,505,000 in 1973 and \$819,498,000 in 1972. The increase of \$61,007,000 resulted principally from increased revenues in broadcasting and record operations.

Retained Earnings Per Share Outstanding at Respective Year-End/Net Earnings Per Common and Common Equivalent Share (In dollars)



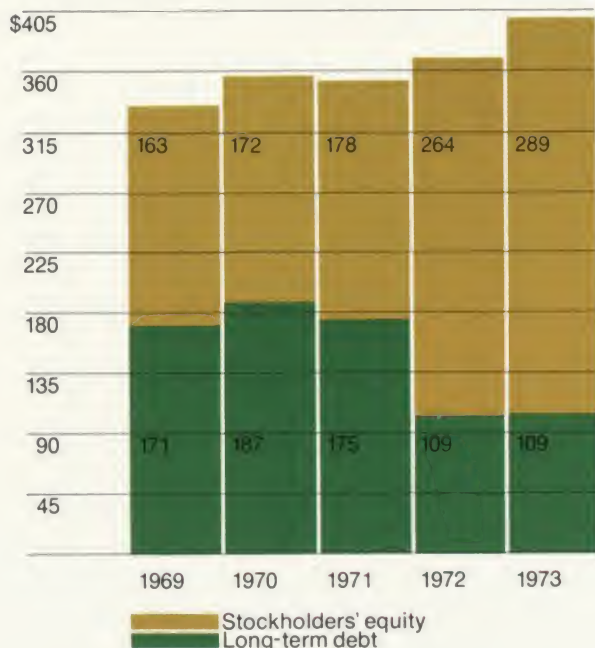
Retained Earnings:

Retained earnings aggregated \$172,072,000 in 1973 (\$10.38 per share based on outstanding shares at year end) as compared with \$136,140,000 in 1972 (\$8.04 per share based on outstanding shares at year end). Cash dividends of \$11,322,000 were paid in 1973 and cash dividends of \$9,753,000 were paid in 1972. The dividend per share was increased to 16¢ in the first quarter of 1973 and subsequently increased to 20¢ in the fourth quarter.

Net Earnings Per Common and Common

Equivalent Share: Net earnings per common and common equivalent share amounted to \$2.79 in 1973, an increase of 33% from \$2.10 per share earned in 1972. Earnings from continuing and discontinued operations aggregated \$2.77 per share as compared with \$2.06 per share in 1972, an increase of 34%.

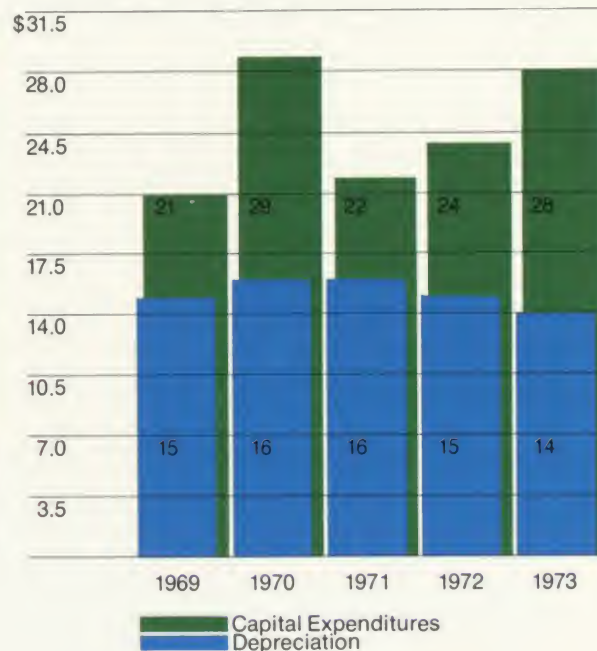
Stockholders' Equity and Long-Term Debt
(In millions)



Stockholders' Equity: Stockholders' equity increased to \$289,191,000 in 1973 from \$264,491,000 in 1972 or from \$15.61 per share outstanding at year end 1972 to \$17.44 per share outstanding at year end 1973.

Long-Term Debt: Long-term debt, including the current portion payable, aggregated \$109,486,000 in 1973 as compared with \$108,707,000 in 1972.

Capital Expenditures/Depreciation (In millions)



Capital Expenditures: Capital expenditures for property and equipment aggregated \$27,563,000 in 1973 and \$24,311,000 in 1972. Such expenditures in 1973 were made principally for the acquisition of broadcasting equipment and the upgrading of television studio and transmitting facilities, expansion and renovation in the theatre division and expansion of the scenic attraction division facilities.

Depreciation: Depreciation aggregated \$13,925,000 in 1973 as compared with \$15,124,000 in 1972.

Consolidated Balance Sheets

Assets	December 29, 1973	December 30, 1972
Current Assets:		
Cash	\$ 18,578,000	\$ 27,142,000
Marketable securities, at cost which approximates market	52,972,000	55,334,000
Receivables, less allowance for doubtful accounts of \$5,607,000 in 1973 and \$4,249,000 in 1972	127,542,000	119,657,000
Television program rights, production costs and advances, less amortization (Notes A and I)	120,948,000	115,974,000
Inventory of merchandise and supplies, at the lower of cost or market	26,140,000	18,795,000
Prepaid expenses (Note A)	19,355,000	10,833,000
Property and equipment held for sale (Notes A and G)	22,500,000	—
Total current assets	<u>388,035,000</u>	<u>347,735,000</u>
Investments , less reserve of \$2,889,000 in 1973 and \$3,222,000 in 1972 (Notes A and C)	<u>6,474,000</u>	<u>7,528,000</u>
Property and Equipment , at cost (Notes A and B):		
Land	23,995,000	28,447,000
Buildings	68,929,000	71,592,000
Operating equipment	87,955,000	84,727,000
Leasehold and leasehold improvements	40,648,000	53,569,000
	<u>221,527,000</u>	<u>238,335,000</u>
Less—accumulated depreciation and amortization	<u>87,779,000</u>	<u>86,480,000</u>
Property and equipment—net	<u>133,748,000</u>	<u>151,855,000</u>
Other Assets:		
Intangibles, at cost (Note A)	22,615,000	22,859,000
Deferred charges	3,794,000	2,550,000
Other	9,055,000	4,504,000
Total other assets	<u>35,464,000</u>	<u>29,913,000</u>
Total Assets	<u>\$563,721,000</u>	<u>\$537,031,000</u>

See accompanying notes to consolidated financial statements.

American Broadcasting Companies, Inc. and Subsidiaries

Liabilities and Stockholders' Equity

December 29, 1973 December 30, 1972

Current Liabilities:

Accounts payable and accrued expenses	\$125,125,000	\$113,261,000
Federal income taxes (Note A)	20,470,000	25,902,000
Loans payable within one year (Note B)	<u>3,683,000</u>	<u>2,038,000</u>

Total current liabilities	<u>149,278,000</u>	<u>141,201,000</u>
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Long-Term Liabilities:

Loans payable (Note B)	105,803,000	106,669,000
Other (Note A)	<u>14,922,000</u>	<u>19,084,000</u>

Total long-term liabilities	<u>120,725,000</u>	<u>125,753,000</u>
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Deferred Income

	<u>4,527,000</u>	<u>5,586,000</u>
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Total liabilities	<u>274,530,000</u>	<u>272,540,000</u>
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Stockholders' Equity (Notes C and D):

Common stock, par value \$1 per share, authorized 50,000,000 shares	17,584,000	17,443,000
Capital in excess of par value	120,079,000	117,871,000
Retained earnings	<u>172,072,000</u>	<u>136,140,000</u>
	309,735,000	271,454,000

Less—common stock held in treasury, at cost	<u>20,544,000</u>	<u>6,963,000</u>
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Total stockholders' equity	<u>289,191,000</u>	<u>264,491,000</u>
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Commitments and Contingent Liabilities (Note I).

Total Liabilities and Stockholders' Equity	<u>\$563,721,000</u>	<u>\$537,031,000</u>
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American Broadcasting Companies, Inc. and Subsidiaries

Statements of Consolidated Earnings

1973

1972

Revenues (continuing operations):

Broadcasting	\$673,900,000	\$628,901,000
Theatres	57,546,000	64,413,000
Records	106,514,000	82,501,000
Motion Pictures	9,024,000	14,619,000
Publishing and Other	33,521,000	29,064,000

Total revenues

880,505,000

819,498,000

Expenses (continuing operations):

Operating expenses and cost of sales	614,516,000	599,405,000
Selling, general and administrative	152,333,000	128,193,000
Depreciation and amortization of property and equipment (Note A)	12,267,000	13,610,000
Interest	6,958,000	6,334,000

Total expenses

786,074,000

747,542,000

Earnings from continuing operations before income taxes and extraordinary gains

94,431,000

71,956,000

Provisions for income taxes from continuing operations (Notes A and E)

48,961,000

38,138,000

Earnings from continuing operations

45,470,000

33,818,000

Earnings from discontinued operations, net of income taxes of \$1,513,000 in 1973 and \$1,433,000 in 1972 (Note A)

1,372,000

1,223,000

Earnings before extraordinary gains

46,842,000

35,041,000

Extraordinary gains, net of Federal income tax (Note G)

412,000

596,000

Net earnings for the year

\$ 47,254,000

\$ 35,637,000

Earnings per common and common equivalent share (Note H):

Continuing operations	\$ 2.69	\$ 1.99
Discontinued operations	.08	.07
Extraordinary gains	.02	.04
Net earnings for the year	<u>\$ 2.79</u>	<u>\$ 2.10</u>

Statements of Consolidated Retained Earnings

1973

1972

Balance at beginning of year	\$136,140,000	\$110,256,000
Net earnings for the year	<u>47,254,000</u>	<u>35,637,000</u>
	183,394,000	145,893,000
Deduct dividends on common stock (\$.68 per share in 1973 and \$.60 in 1972)	<u>11,322,000</u>	<u>9,753,000</u>
Balance at end of year (Note D)	<u>\$172,072,000</u>	<u>\$136,140,000</u>

American Broadcasting Companies, Inc. and Subsidiaries

Statements of Changes in Consolidated Financial Position

1973

1972

Working Capital Provided From:

Operations:

Earnings before extraordinary items	\$ 46,842,000	\$ 35,041,000
Add expenses not requiring working capital:		
Depreciation and amortization (including charges to discontinued operations of \$1,658,000 in 1973 and \$1,514,000 in 1972)	13,925,000	15,124,000
Provision for long-term deferred income tax	(1,069,000)	1,066,000
Other	(1,016,000)	(117,000)
	<u>58,682,000</u>	<u>51,114,000</u>
Extraordinary gains	412,000	596,000
Items not requiring working capital	(678,000)	185,000
	<u>(266,000)</u>	<u>781,000</u>

Working capital provided from operations

58,416,000 **51,895,000**

Sale of theatre properties and equipment	25,000,000	—
Disposals of property and equipment	1,728,000	4,184,000
Issuance of stock on conversion of debentures	—	49,020,000
Long-term borrowings	1,051,000	49,372,000
Issuance of warrants and options	—	3,628,000
Exercise of employee stock options	3,541,000	7,927,000
Other	72,000	296,000
	<u>89,808,000</u>	<u>166,322,000</u>

Working Capital Used For:

Payments of cash dividends	11,322,000	9,753,000
Conversion of debentures	—	49,969,000
Purchase of property and equipment	27,563,000	24,311,000
Purchase of treasury shares	15,052,000	—
Reduction of long-term loans payable	3,648,000	52,705,000
	<u>57,585,000</u>	<u>136,738,000</u>

Increase in working capital

\$ 32,223,000 **\$ 29,584,000**

Changes in Components of Working Capital:

Cash and marketable securities	\$ (10,926,000)	\$ 33,804,000
Receivables, less allowance for doubtful accounts	7,885,000	5,924,000
Television program rights, production costs and advances, less amortization	4,974,000	(10,063,000)
Inventory of merchandise and supplies	7,345,000	2,480,000
Prepaid expenses	8,522,000	3,932,000
Property and equipment held for sale	22,500,000	—
Accounts payable and accrued expenses	(11,864,000)	(7,383,000)
Federal income taxes	5,432,000	(12,544,000)
Loans payable within one year	(1,645,000)	13,434,000

Increase in working capital

\$ 32,223,000 **\$ 29,584,000**

Notes to Consolidated Financial Statements

Note A: Summary of Significant Accounting Policies:

Consolidation: The consolidated financial statements include the accounts of American Broadcasting Companies, Inc. and its majority-owned domestic subsidiaries. Substantially all investments in other companies which are at least 20% owned are reported at cost plus equity in undistributed earnings. The remaining investments are stated at cost less applicable reserves. All significant intercompany transactions are eliminated in consolidation.

Discontinued Operations: In March and September 1973, respectively, the Company sold its television program syndication subsidiary and decided to sell substantially all of the operating assets or capital stock of certain major theatre subsidiaries. A contract for sale of the theatres was entered into in December 1973. Operating results of these subsidiaries prior to sale, excluding intercompany charges, have been reclassified in the statements of consolidated earnings as earnings from discontinued operations, net of income taxes. Net revenues of the discontinued operations aggregated \$34,381,000 for 1973 and \$49,951,000 for 1972. Such property and equipment held under contract of sale is shown separately in the consolidated balance sheet.

Television Program Rights, Production Costs and Advances: Television program rights, production costs and advances primarily represent amounts paid less amortization based on usage for network programs and rental periods for local station programs. Management estimates that a major portion of the costs will be charged to operations within one year and substantially all of the remaining balance in the subsequent year.

Depreciation: Property and equipment is depreciated principally on a straight-line basis for financial reporting over the estimated useful lives of the various classes of depreciable assets. Substantially all properties are depreciated on an accelerated basis for tax purposes where permitted and the resulting reduction in current tax liabilities is deferred.

Leasehold improvements are amortized on a straight-line basis over the period of the lease or over the estimated life of the improvements, whichever is shorter.

Intangibles: Intangibles as shown in the accompanying balance sheets represent the excess of cost over underlying net tangible assets at dates of acquisition of companies, all of which occurred prior to 1970. Amortization was commenced in 1973 with respect to \$1,344,000 of such intangibles by the straight-line method over a period of 10 years because of management's belief that there will be a diminution of value. The remaining intangibles are currently considered to be of continuing value and are not being amortized.

Income Taxes: Income tax expense differs from amounts currently payable because certain items are reported in the statements of consolidated earnings in periods which differ from those in which they are subject to taxation. Deferred tax items are classified as current or non-current according to the classification of the related asset or liability. At December 29, 1973, net estimated future tax benefits of \$18,106,000 are classified as prepaid expenses and net deferred taxes payable of \$904,000 are included in other long-term liabilities in the accompanying balance sheets. Similar amounts at December 30, 1972 were \$9,499,000 and \$1,974,000, respectively.

Investment tax credits are accounted for on the "flow-through" method.

Pension Plans: The unfunded past service costs of the Company's contributory retirement plans are amortized over a period of thirty years commencing in 1965. It is the Company's policy to fund pension cost accrued.

Note B: Loans: In 1972, the Company's 5% convertible subordinated debentures due July 1, 1993 were called for redemption at 104¼%. Debentures in the amount of \$49,715,000 were tendered for conversion into 2,291,542 shares of common stock at \$21.67 per share and cash in lieu of fractional shares.

Loans:

4.55% notes payable semi-annually \$1,625,000 to January 1, 1985 and \$10,750,000 on July 1, 1985.	\$ 48,125,000	\$ 49,750,000
7% subordinated notes less unamortized debt discount of \$3,079,000 (\$3,386,000 at December 30, 1972) with purchase warrants and options expiring January 2, 1982 for the purchase of 833,332 shares of the Company's common stock at a price of \$24 per share. Notes are payable \$2,940,000 on January 1 in each of the years 1976 to 1991 inclusive and the balance on January 1, 1992.	46,921,000	46,614,000
First leasehold secured note payable quarterly \$267,000 including interest at 7½% per annum and \$1,261,000 on January 1, 1997.	11,829,000	12,000,000
Other mortgages and loans payable at various interest rates and maturity dates.	2,611,000	343,000
Total loans payable	109,486,000	108,707,000
Less current installments	3,683,000	2,038,000
Total long-term loans payable	\$105,803,000	\$106,669,000

Aggregate maturities of long-term loans payable for the five years subsequent to December 29, 1973 were as follows:

Year	1974	1975	1976	1977	1978
Amount	\$3,683,000	\$3,707,000	\$6,673,000	\$6,701,000	\$6,731,000

Note C: Capital Stock and Capital in Excess of Par Value: On February 12, 1973, the Company declared a two-for-one stock split which was distributed in March to stockholders of record at the close of business on February 26, 1973. Retroactive effect of the stock split has been reflected in the financial statements. As approved by the stockholders, the number of authorized common shares, par value \$1, was increased to 30,000,000 in May 1972 and to 50,000,000 in May 1973.

2,000,000 shares of preferred stock, par value \$1, are authorized but none are outstanding.

The changes in common stock and capital in excess of par value were as follows:

	Common Stock		Capital in Excess of Par Value
	Number of shares	Amount	
Balance January 1, 1972	7,367,354	\$ 7,367,000	\$ 67,372,000
Stock split	7,367,354	7,368,000	(7,368,000)
Options to employees	416,318	416,000	7,511,000
Conversion of debentures (Note B)	2,291,542	2,292,000	46,728,000
Issuance of warrants and options (Note B)	—	—	3,628,000
Balance at December 30, 1972	17,442,568	17,443,000	117,871,000
Federal income tax benefit— from employees' options	—	—	379,000
Options to employees	141,070	141,000	1,829,000
Balance at December 29, 1973	17,583,638	\$17,584,000	\$120,079,000

In 1973, the Company purchased 573,300 shares of its common stock for issuance upon exercise of stock options and for distribution under the Key Employees Incentive Compensation Plan. 71,109 shares were distributed to employees upon exercise of stock options during the year. There were 1,001,549 shares of common stock held in treasury at December 29, 1973 which were purchased at a cost of \$22,303,000 and 499,358 shares at December 30, 1972 at a cost of \$8,722,000. The number of shares at both dates includes 86,248 shares (cost \$1,759,000) which were classified as an investment held for the purposes of the Key Employees Incentive Compensation Plan.

Common shares reserved, adjusted for the two-for-one stock split, at December 29, 1973 and December 30, 1972 are summarized below:

	December 29, 1973	December 30, 1972
Employees' stock options outstanding	909,093	899,084
Employees' stock options available for grant	776,500	354,926
Warrants and options	833,332	833,332
Total common shares reserved	2,518,925	2,087,342

On May 15, 1973, the stockholders approved the 1973 Key Employees Stock Option Plan which authorizes the granting of options to purchase up to 1,000,000 shares of common stock of the Company. Under the 1973 Plan, grants may be made for "qualified" options, "non-qualified" options, and/or stock appreciation rights. At December 29, 1973, no grants have been made for "non-qualified" options or stock appreciation rights. Approval of the 1973 Plan provided that no further options would be granted under the 1965 and 1969 Plans. Under these Plans, all outstanding options were exercisable at December 29, 1973 except those granted in 1973.

Under the 1973 Plan, options to purchase shares of common stock may be granted to officers and key employees at a price not less than 100% of the fair market value at the dates of grant. Qualified options granted may be exercised in part or in entirety one year after the date of grant, as provided by the terms of each option, and expire in five years.

The following table reflects changes in options outstanding adjusted for the two-for-one stock split:

	Shares	Option prices per share
Outstanding January 1, 1972	1,145,412	\$10.82 to 26.13
Granted	225,000	26.69 to 39.94
Exercised	(416,318)	10.82 to 25.50
Expired or cancelled	(55,010)	10.82 to 23.50
Outstanding December 30, 1972	899,084	10.82 to 39.94
Granted	270,700	25.00 to 34.25
Exercised	(212,179)	10.82 to 26.13
Expired or cancelled	(48,512)	10.82 to 39.94
Outstanding December 29, 1973	909,093	\$10.82 to 39.94

Of the options for 909,093 shares outstanding at December 29, 1973, 642,893 were exercisable. The remaining options become exercisable as follows: 256,075 in 1974 and 10,125 in 1975 and later.

When options are exercised and shares are issued, the par value of the shares is credited to common stock and the remainder of the proceeds is credited to capital in excess of par value. When exercised options are satisfied by delivery of treasury shares, the difference between the proceeds and the cost of the treasury shares is charged or credited to capital in excess of par value as appropriate. No amounts have been reflected as revenues or expenses in connection with the granting or exercising of options.

Note D: Restrictions on Retained Earnings: Under various agreements pertaining to long-term debt, there are certain restrictions regarding the payment of dividends (other than in shares of capital stock of the Company) or the purchase or redemption of capital stock of the Company. At December 29, 1973, approximately \$99,995,000 was not so restricted.

Note E: Provisions for Income Taxes: Provisions for income taxes from continuing operations consist of the following:

	1973	1972
Continuing operations:		
Taxes currently payable:		
Federal	\$43,971,000	\$35,135,000
Investment tax credit	855,000	688,000
	43,116,000	34,447,000
Foreign	499,000	295,000
State and local	8,031,000	6,463,000
	51,646,000	41,205,000
Deferred Federal tax benefits—net	(2,685,000)	(3,067,000)
Total provisions	\$48,961,000	\$38,138,000
Effective income tax rates	51.8%	53.0%

Federal tax provisions for continuing operations amounted to \$40,431,000 (effective rate of 42.8%) in 1973 and \$31,380,000 (effective rate of 43.6%) in 1972. These amounts differ from those computed by applying the U.S. Federal rate of 48% to income before taxes for both years principally because of deduction for foreign, state and local taxes from taxable income.

The Company and its subsidiaries file consolidated Federal income tax returns. The returns of the Company have been examined through fiscal year 1969 and, in the opinion of management, adequate provision for taxes has been made for all open years.

Note F: Employee Benefits: The cost of contributory retirement plans of the Company and certain of its subsidiaries was \$2,649,000 in 1973 and \$2,174,000 in 1972.

The actuarially computed value of vested benefits exceeded the total of the retirement funds by approximately \$5,625,000 and \$5,016,000 at December 29, 1973 and December 30, 1972, respectively. The Company is also required to contribute to various union retirement funds under collective bargaining agreements.

A stock investment plan is available to employees for the purchase of the Company's common stock through payroll deductions. The Company contributes an amount equal to 40% of employees contributions, up to a maximum of \$1,000 for each employee per annum. The cost of the plan was \$462,000 in 1973 and \$400,000 in 1972.

Under the Key Employees Incentive Compensation Plan the maximum amount which may be set aside for incentive awards in any year is 4% of the excess of earnings from operations before Federal income taxes, subject to certain adjustments, over \$9,000,000. Only full-time employees of the Company are eligible to receive awards. An employee may elect, prior to the end of any year, whether awards for future years are to be paid in a lump sum or in deferred annual installments, after termination of service, in cash or in the Company's common stock at the Company's option. Deferred awards are subject to forfeiture in whole or in part upon the happening of certain conditions.

The amount charged to expense for incentive awards was \$3,325,000 in 1973 and \$2,392,000 in 1972.

Note G: Extraordinary Gains (Losses): Extraordinary gains (losses) are summarized as follows:

	Gain (Loss)	Federal Income Tax (Provision) Benefit	Net Gain (Loss)
1973			
Sale of television program syndication subsidiary (Note A)	\$2,891,000	\$ (200,000)	\$2,691,000
Provision for estimated loss on assets held for sale (Note A)	(3,703,000)	1,528,000	(2,175,000)
Sale or disposal of other properties	(121,000)	17,000	(104,000)
	\$ (933,000)	\$1,345,000	\$ 412,000
1972			
Sale of assets and discontinuance of operations	\$ 343,000	\$ (165,000)	\$ 178,000
Sale or disposal of other properties	(373,000)	791,000	418,000
	\$ (30,000)	\$ 626,000	\$ 596,000

Federal income tax includes additional tax provisions or additional tax benefits where the tax basis of investments or properties sold are different from book basis.

Note H: Per Share Earnings: Earnings per common and common equivalent share has been computed based upon the weighted average number of shares outstanding during each year, after giving effect to the two-for-one stock split of February, 1973. Adjustment has been made to include shares issued for employee stock options exercised during both years from the beginning of each year and to assume the exercise of dilutive outstanding employee stock options and outstanding common stock purchase warrants and options, net of shares which could have been purchased from the proceeds based on the average market price. The approximate number of shares used in the computations were 16,938,000 in 1973 and 16,967,000 in 1972.

The computation of earnings per common share assuming full dilution results in less than 3% dilution in both years.

Note I: Commitments and Contingent Liabilities: The Company's minimum rental commitments under noncancellable leases for real property and equipment at December 29, 1973 are as follows:

	Rental Commitments		Income	Net Rental
	Real Estate	Equipment	from Subleases	Commitments
1974	\$ 6,433,000	\$251,000	\$ 519,000	\$ 6,165,000
1975	6,016,000	104,000	493,000	5,627,000
1976	5,439,000	64,000	345,000	5,158,000
1977	4,842,000	—	285,000	4,557,000
1978	4,435,000	—	271,000	4,164,000
1979 to 1983	15,327,000	—	1,175,000	14,152,000
1984 to 1988	11,664,000	—	1,157,000	10,507,000
1989 to 1993	8,344,000	—	100,000	8,244,000
After 1993	19,077,000	—	78,000	18,999,000

Total rent expense under cancellable and noncancellable leases for the two years ended December 29, 1973 was as follows:

	1973	1972
Rent expense	\$15,465,000	\$14,632,000
Contingent rent expense	572,000	825,000
Rentals from subleases	(832,000)	(480,000)
	\$15,205,000	\$14,977,000

The present value of all financing leases at December 29, 1973 and at December 30, 1972 is immaterial in relation to long-term capitalization. The impact upon net income, if non-capitalized financing leases were capitalized, is also immaterial for the years 1973 and 1972.

Under contracts covering rentals of feature films and certain other programs for future telecast, the Company is obligated for payments aggregating approximately \$137,000,000 during the next five years as follows:

1974	1975	1976	1977	1978
\$43,000,000	\$36,000,000	\$39,000,000	\$12,000,000	\$7,000,000

There are contingent liabilities under pending litigation including anti-trust suits. However, in the opinion of counsel, the Company is not exposed to any material liability.

Accountants' Report

The Board of Directors and Stockholders
American Broadcasting Companies, Inc.:

We have examined the consolidated balance sheets of American Broadcasting Companies, Inc. and subsidiaries as of December 29, 1973 and December 30, 1972 and the related statements of earnings, retained earnings and changes in financial position for the respective years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of American Broadcasting Companies, Inc. and subsidiaries at December 29, 1973 and December 30, 1972, and the results of their operations and the changes in financial position for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.
345 Park Avenue, New York, New York 10022
March 4, 1974

Five Year Financial Summary

(Dollars in thousands, except per share amounts)

	1973	1972	1971	1970	1969
Revenues (Continuing Operations)*					
Broadcasting	\$673,900	\$628,901	\$521,213	\$515,340	\$501,166
Theatres	57,546	64,413	61,397	63,784	59,613
Records	106,514	82,501	87,345	78,074	69,365
Motion Pictures	9,024	14,619	13,320	16,703	18,509
Publishing and Other	33,521	29,064	30,162	28,529	30,469
	<u>\$880,505</u>	<u>\$819,498</u>	<u>\$713,437</u>	<u>\$702,430</u>	<u>\$679,122</u>
Earnings (Losses) from Continuing Operations Before Income Taxes and Extraordinary Items*					
Broadcasting	\$ 80,150	\$ 68,689	\$ 26,763	\$ 25,431	\$ 28,703
Theatres	9,082	8,819	7,398	7,281	8,505
Records	2,332	911	6,350	3,621	4,723
Motion Pictures	287	(11,775)	(15,989)	(8,281)	(9,446)
Publishing and Other	2,580	5,312	3,986	2,638	2,271
	<u>\$ 94,431</u>	<u>\$ 71,956</u>	<u>\$ 28,508</u>	<u>\$ 30,690</u>	<u>\$ 34,756</u>
Net Earnings					
Continuing Operations	\$ 45,470	\$ 33,818	\$ 13,351	\$ 14,089	\$ 15,539
Discontinued Operations— net of income taxes	1,372	1,223	1,589	1,890	2,100
	46,842	35,041	14,940	15,979	17,639
Extraordinary gains (losses), net	412	596	(1,740)	818	(878)
	<u>\$ 47,254</u>	<u>\$ 35,637</u>	<u>\$ 13,200</u>	<u>\$ 16,797</u>	<u>\$ 16,761</u>
Earnings Per Common and Common Equivalent Share**					
Continuing Operations	\$ 2.69	\$ 1.99	\$.94	\$.99	\$ 1.07
Discontinued Operations	.08	.07	.11	.14	.15
	2.77	2.06	1.05	1.13	1.22
Extraordinary gains (losses), net	.02	.04	(.12)	.06	(.06)
	<u>\$ 2.79</u>	<u>\$ 2.10</u>	<u>\$.93</u>	<u>\$ 1.19</u>	<u>\$ 1.16</u>
Earnings Per Common Share Assuming Full Dilution**					
Continuing Operations	\$ 2.69	\$ 1.96	\$.87	\$.93	\$.99
Discontinued Operations	.08	.07	.09	.11	.13
	2.77	2.03	.96	1.04	1.12
Extraordinary gains (losses), net	.02	.04	(.10)	.05	(.05)
	<u>\$ 2.79</u>	<u>\$ 2.07</u>	<u>\$.86</u>	<u>\$ 1.09</u>	<u>\$ 1.07</u>
Dividends					
Total	\$ 11,322	\$ 9,753	\$ 8,519	\$ 8,503	\$ 7,675
Per share**	\$.68	\$.60	\$.60	\$.60	\$.54
Financial Position at Year End					
Working capital	\$238,757	\$206,534	\$176,950	\$188,225	\$177,140
Property and equipment, net	133,748	151,855	146,925	146,148	133,872
Total assets	563,721	537,031	496,076	479,045	468,419
Long-term debt	105,803	106,669	159,729	177,393	163,101
Stockholders' equity	289,191	264,491	177,515	172,044	163,376
Number of common shares outstanding at year end**	16,582,089	16,943,210	14,231,564	14,177,806	14,145,590

* Restated to exclude operations of certain major theatres and television syndication subsidiary disposed of in 1973.

** Adjusted for the 2 for 1 stock split of February 1973 and a 3 for 2 split in 1969.

People at ABC

During the year, some changes were made in management in order to better provide for the future growth of the Company.

Robert Krestel joined our Company in June as Vice President, Finance and as a director of the Company. Robert Goldman was elected Vice President, Administration in June. I. M. Pompadur, a Vice President of the Company, was appointed President of the newly formed ABC Leisure Group in September. Ronald Sappenfield joined our Company as Vice President, Corporate Development in October. Mr. Pompadur and Walter Schwartz, President of ABC Television, were elected directors in January, 1974.

Employment opportunities for minorities and women have a high priority for management's attention. The Company has increased its recruiting efforts and has established various programs to offer opportunities on all levels of employment. There has been steady improvement over the past years and, in 1973, employment levels reached 17% for minorities and 36% for women. These groups are represented throughout all levels of the Company with 10% of minorities and 16% of women in the official, managerial and professional categories. Realization of the Company's goals for 1974 should improve this position further.

Executive Offices

1330 Avenue of the Americas, New York, New York 10019

Independent Auditors

Peat, Marwick, Mitchell & Co., 345 Park Avenue, New York, New York 10022

Transfer Agent

Bankers Trust Company, 485 Lexington Avenue, New York, New York 10017

Registrar

The Bank of New York, 48 Wall Street, New York, New York 10015

Board of Directors

Alger B. Chapman: Chairman of the Board of Squibb Corporation

Dr. Mamie Phipps Clark: Executive Director of Northside Center for Child Development, Inc.

John A. Coleman: Senior Partner of Adler, Coleman & Co.

Donald C. Cook: Chairman of the Board and Chief Executive Officer of American Electric Power Company, Inc.

Everett H. Erlick: Senior Vice President of Corporation

Leonard H. Goldenson: Chairman of the Board and Chief Executive Officer of Corporation

Jack Hausman: Vice-Chairman of the Board and Chairman of Finance Committee of Belding Heminway Company, Inc.

Leon Hess: Chairman of the Board and Chief Executive Officer of Amerada Hess Corporation

George P. Jenkins: Chairman of the Board of Metropolitan Life Insurance Company

Robert D. Krestel: Vice President, Finance of Corporation

I. Martin Pompadur: Vice President of Corporation and President, ABC Leisure Group

Elton H. Rule: President and Chief Operating Officer of Corporation

Theodore Schlesinger: Retired — formerly Chairman of the Executive Committee of Allied Stores Corporation

Martin J. Schwab: President of United Merchants and Manufacturers, Inc.

Walter A. Schwartz: President, ABC Television and Vice President of Broadcast Division of Corporation

Simon B. Siegel: Retired — formerly Executive Vice President of Corporation

Executive Committee

John A. Coleman, Chairman

Alger B. Chapman

Leonard H. Goldenson

Jack Hausman

George P. Jenkins

Elton H. Rule

Theodore Schlesinger

Simon B. Siegel

Officers

Leonard H. Goldenson: Chairman of the Board and Chief Executive Officer

Elton H. Rule: President and Chief Operating Officer

Everett H. Erlick: Senior Vice President and General Counsel

Richard L. Freund: Vice President

Jerome B. Golden: Vice President and Secretary

Robert T. Goldman: Vice President

James C. Hagerty: Vice President

Herbert R. Hahn: Vice President

Robert D. Krestel: Vice President, Finance

Michael P. Mallardi: Vice President

Marie J. McWilliams: Vice President

Ellis O. Moore: Vice President

I. Martin Pompadur: Vice President and President, ABC Leisure Group

Ronald E. Sappenfield: Vice President

Alfred R. Schneider: Vice President

Harry Pape, Jr.: Treasurer

Warren D. Schaub: Comptroller

William E. Pierson: Assistant Comptroller

Donald R. Whalen: Assistant Comptroller

Franklin Feinstein: Assistant Secretary

